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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000848

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SUBJECT: VP ABD AL-MEHDI ON INVESTMENT ISSUES, CORRUPTION,
RULE OF LAW AND SFA/SOFA TALKS

Classified By: Ambassador Ryan C. Crocker for reasons 1.4 (b) and (d).

¶1. (C) Summary: On Friday, March 14, the Ambassador met with Vice President Adel Abd al-Mehdi at the Islamic Supreme Council of Iraq (ISCI) compound in Baghdad. During the meeting, the Ambassador and Adel discussed a host of issues, including foreign investment in Iraq, the activities of the GOI's Investment Board, and the need to move the investment process forward. The Ambassador and Adel also talked about issues of corruption and the rule of law, with a particular focus on the Zamili case. This case, in which charges against two high-ranking Ministry of Health officials accused of aiding and abetting the activities of Shia death squads were dropped due to a lack of evidence, has caused a public outcry, with the prosecution alleging witness intimidation. During the meeting, the two also reviewed SFA/SOFA negotiations, and the Ambassador gave Adel a readout of his recent discussions with Prime Minister Maliki concerning these agreements and his suggestions to the PM about how the GOI should proceed with both. Before concluding the meeting, the two shared their opinions on the current situation in Lebanon.

Investment

¶2. (C) After exchanging greetings with the Ambassador, Adel immediately commented on a meeting held the previous day in preparation for the upcoming Iraq investment conference, which will be held in May 2008 in Cairo. Adel was pleased that the USG was helping Iraq plan the event. The Ambassador noted that Iraq is now at the point where investors are stepping forward, and it is time for the country to move forward by facilitating showcase projects. Adel agreed, insisting the Iraqi Government has "done nothing after five years," and posited that an airport project to include a 5-star hotel would be an excellent start. The Ambassador concurred, mentioning that Adel has already met Saudi Mohammed Bin Issa, who is ready to invest in Iraq. Adel answered in the affirmative, and remarked that he has also held talks with Ahmed Heikal, another potential investor. Adel commented that Najaf could benefit from outside investment as well, mentioning that although there are several hotel projects there, more investment was needed. He also stated that a large supermarket in Baghdad, perhaps in Karada, would be an excellent project. Continuing on this theme, the Ambassador remarked that potential investors need to establish a presence on the ground, as quick trips in and out of Iraq did not give them a complete and accurate picture of the country. Perhaps this could be solved if they identified local partners to work with.

¶3. (C) Commenting on the Investment Board, the Ambassador asked Adel if he had met with its chairman to discuss the Board's plans, as well as its strategy for attracting investors. The Ambassador noted that the Investment Board's plans and strategy for attracting investment lacked focus, as evidenced by the inaction seen since the passage of Iraq's

investment law. The Vice President agreed and complained that Iraq "has no vision and no strategy," and Board staff are simply interested in collecting their government salaries.

14. (C) Noting that he had recently finished a draft paper on agriculture, which is now being reviewed by his advisors, Adel said that he would like to sit down and talk with the Ambassador and his advisors about agricultural investment policy. The Ambassador commented that once he has reviewed the document, Embassy officials will meet with Adel's staff to discuss it. The Ambassador remarked that Iraqi agricultural policy has the full attention of USAID and the Department of Agriculture, and that he has pushed them to include the private sector in their activities, noting the past success of the private sector in managing Iraq's agricultural sector.

Rule of Law/Corruption

15. (C) Turning to rule of law issues, Ambassador Crocker indicated his displeasure with the Zamili case, in which charges against two high-ranking Ministry of Health officials accused of aiding Shia death squads were dropped due to a putative lack of evidence. This case, in which the prosecution has alleged witness tampering and intimidation, has not only been embarrassing to Iraq's nascent judicial system, but has also shaken the Sunni community's faith in the government and reconciliation. Remarking that he had been pleased with the decision of the Chief Justice to remove the initial trial judge in response to allegations of misconduct, the Ambassador said he was nevertheless disturbed by the court's decision to drop all of the charges.

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16. (C) The Ambassador also said he has been surprised and disturbed by the increasing number of warrants and subpoenas being issued by the Iraqi courts, to which Adel replied that warrants have become the new method of intimidation. The Ambassador indicated that he was aware of this, signaling that intimidation in many shapes and forms has become a major issue facing Iraqis. Emphasizing that the justice system cannot be a vehicle for settling scores, the Ambassador said that it was important for Iraqi officials to address this issue and demonstrate that there is no role for corruption and intimidation in Iraq. Labeling PM Maliki's resolve to fight corruption, as well as Deputy PM Barham Salih's work in addressing the issue as good steps, he added that more needs to be done in addressing this issue. He also informed Adel that a senior State Department officer would be coming out soon to focus on these issues.

SFA/SOFA Talks

17. (C) Bringing up the recent visit to Iraq by the UK State Minister for Defense, Desmond Browne, Adel revealed to the Ambassador that he had questioned Browne about the SOFA and SFA, and how things would proceed. In response, Browne told Adel that it would be up to the Iraqis. Seeking clarification from the Ambassador, Adel asked him how the Iraqis should proceed with the negotiations, and whether they should sign one agreement with the United States, and then additional documents with other states. The Ambassador walked Adel through the process as envisioned by the USG, illustrating how the language of the SOFA allows Iraq and the U.S. to include third parties in the agreement if both of the signatory parties agree to a third country's inclusion. As the Ambassador explained, this was the easiest and simplest way, though Iraq was also free to sign separate agreements with other states. Adel commented that there are some differences with the British, which the Ambassador indicated he had discussed with Browne the previous day.

18. (C) Expounding on this issue, the Ambassador told Adel

that he had spoken with PM Maliki and explained the differences between the SFA and the SOFA. Reviewing his discussions with Maliki, the Ambassador said that he had recommended to the PM that these negotiations proceed on different tracks, as they are very different in scope. In addition, he informed Maliki that while it was perfectly appropriate for Deputy FM Hamoud's committee to focus on the SOFA negotiations, it would be extremely difficult for the same committee to be responsible for both sets of talks, as Maliki had previously envisioned. In talks with Maliki, the Ambassador told him that the principals in this discussion should be from a higher echelon of government than those involved in the SOFA talks. In the Ambassador's estimation, Maliki now has a better understanding of the process, something that the Prime Minister shared with President Bush during their recent telephone conversation.

¶9. (C) In discussing the SFA/SOFA negotiations, Adel opined that Dr. Fadl, Maliki's legal advisor, was not the right person to proceed with these talks. In Adel's estimation, Dr. Fadl is not well-versed in international law, whereas Deputy FM Hamoud is an expert in the field. The Ambassador commented that though he did not know Dr. Fadl's background, it did not appear to be international law, and that Iraq cannot afford a repeat of the Declaration of Principles negotiations. In reply, Adel remarked that there were now many individuals within the GOI who were suspicious of the outside world, and lamented that the success he had negotiating debt relief agreements when he was Minister of Finance and could call on outside organizations to assist him would probably not be possible now if he had to bring in GOI officials.

Lebanon

¶10. (C) Before concluding the meeting, Adel and the Ambassador discussed the situation in Lebanon. Adel opined that the different factions are beginning to arm themselves, and that he felt "50/50" about the situation and the potential for conflict, stating that it could go either way. Adel added that he when he was in Cairo attending an Arab League function, the Syrians had indicated to him that they could accept Michel Suleiman as President. He concluded by saying that the issue was up to Lebanon's courts to decide.

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